



MINUTES

PEM PAL Steering Committee meeting May 15, 2012; video conferencing

1. Present

Members: Salome Steib (Chair, SECO), Ljerka Crnković (IA COP, Croatia, Acting Chair), Cristina Scutelnic (IA COP, Moldova, Acting Vice Chair), Diana Grosu Axenti (IA COP, Moldova), Senka Šogorović (B COP, Croatia), Anila Çili (T COP, Albania, Chair; partly), Elena Zyunina (Ministry of Finance of the Russian Federation), Joop Vrolijk (OECD/SIGMA), Elena Nikulina (PEM PAL Task Team Leader, The World Bank), Marius Koen (The World Bank);

Permanent Observers to the Steering Committee (SC): Deanna Smith (PEM PAL PFM Advisor), Senka Maver (PEM PAL Secretariat);

Observers: Maya Gusarova (The World Bank Country Office, Russia), Ion Chicu (TCOP advisor, The World Bank).

2. Welcome and introduction

The Chair of the Steering Committee (SC), Ms. Salome Steib, welcomed all participants. She explained that the agenda of the meeting was rearranged, and the discussion on the Cross-COP meeting (leadership meeting, Plenary) was moved to the front because of the impact it has on the COPs budgets, which were to be discussed second.

3. Cross-COP meeting (leadership meeting, Plenary)

3.1. Discussion.

The SC discussed timing/venue/topics of two future Cross-COP meetings to gain more clarity about preparations and budget implications.

3.1.1. Cross-COP leadership meeting.

On timing, there was an agreement that September 3-5 was the most suitable timing for this meeting. *On the venue*, one of two options, OECD and the WB Paris Office, will be considered, depending on cost estimate. *On the topic*, two issues will be on the agenda, the results framework relating to PEM PAL Strategy for 2012-2017, and PFM system in France (French Day).

One view was that in light of Marius Koen's suggestions (submitted on March 24), the results framework could be discussed afresh at the September meeting. Another view was that it would be more productive to have a draft results framework prepared beforehand, especially as the objectives of the Strategy had been set and confirmed by the SC. Because the Strategy itself would also need to be redrafted to incorporate comments received from OECD/SIGMA (submitted on May 13), a two stage approach was discussed for the finalization, at the SC September meeting, of the Strategy and its results framework. (Note: additional comments on the Strategy were also provided by the Russian Ministry of Finance on May 16, one day after the SC meeting). Possible involvement of a professional trainer in log frame technique was also mentioned.

The agenda for the French Day will include introduction of PFM institutions, new organic budget law, presentations (tbc) by the budget directorate, treasury, internal audit and court of accounts. Option of an on-site visit of the French ministry of finance and economy was also discussed.

3.1.2. Cross-COP Plenary.

The COPs action plans (to be discussed next) envisage a Cross-COP Plenary in late 2013 and early 2014.

3.2. Conclusions.

3.2.1. Cross-COP leadership meeting.

- (i) Next Cross-COP leadership meeting will be held in Paris, France, from September 3-5, 2012. The focus will be on results framework on September 3-4, and on the French PFM System (French Day) on September 5.
- (ii) The Strategy for 2012-2017 and its result framework will be redrafted in a two stage process. Deanna Smith, PFM Advisor, will rewrite the current draft Strategy, and send it by end-June to a special editorial committee (including Salome Steib and Marius Koen), which will then work on the results framework, and circulate it by mid-August to the members of the COPs leadership groups. Editorial committee will make a short introduction at the September meeting to explain how the results framework is connected to the strategic objectives.
- (iii) For the French Day, the COPs leadership groups should formulate a list of questions they want to discuss on September 5, and give it to Joop Vrolijk, OECD/SIGMA, by end-May.

3.2.2. Cross-COP Plenary.

- (i) Cross-COP Plenary will be held in the fiscal year 2014, i.e., the second half of 2013 or in early 2014.

4. COPs Updated action plans and budgets

4.1. Background.

The Secretariat document for the SC discussion addressed three topics: (i) COPs action plans and budgets for the period of the last six months of the current funding period (ending at end-June); (ii) COPs action plans and budgets for the period from July 2012 until June 2014, and (iii) proposal for the type B study visit.

4.1.1. COPs budgets in the period from January 2012 to June 2012.

All activities have been or are expected to be within the budgets approved by the SC in February. Overall, the activities of the three COPs are expected to total USD 0.8 million, down from USD 0.99 estimated earlier. Detailed numbers and explanation about the expenses will be provided with the semi-annual report, which will be submitted to the SC for its September meeting.

4.1.2. COPs action plans and budgets for the period from July 2012 until June 2014.

The COPs prepared/updated their action plans and budgets in response to the SC request. The budget envelopes for the first fiscal year (FY 2013: from July 2012 until June 2013) have been set to USD 450 K. The COPs leadership groups have been asked to manage their budgets, with the help from the Secretariat. A working group, led by Marius Koen, has prepared Budget management guidelines in March, to set criteria and limits to help guide COPs budget decisions. The guidelines set (i) two ceilings, one with respect to the annual budget envelope (+15%), and another for the individual COP plenary event (USD 180 K + 20%), and (ii) a floor with respect to the annual budget expenses (-15%). All three COPs action plans for the period from July 2012 until June 2013 are within these limits and in conformity with the guidelines.

Topics that will be at the center of the COPs discussions (in plenary, small group meetings and study visits) over the following two years are the following:

T COP: Use of IT in treasury operations; Financial accounting and reporting for the public sector; and, Financial management and control issues.

IA COP: Risk assessment and quality assurance; IA Manual and IA training and certification; and, Evolution of IA COP into professional association;

B COP: Performance information and budget decision-making; Review of PFM reform status; Medium term fiscal planning/Medium term expenditure framework linked to whole PFM system; Program budgeting at the local level; Per unit financing in health and education; and, IT solutions for budget preparation reforms.

4.1.3. *Proposal for a type B study visit.*

The Secretariat received a proposal prepared by the UNDP Office in Uzbekistan for a type B study visit, to take place in August 2012, and involve officials from Uzbekistan Ministry of finance visiting their peers in the Croatian Ministry of finance. Type B study visits are financed from a separate budget line, outside the COPs budgets. Special Guidelines for study visits define the procedure. Each proposal is posted on the PEM PAL website for one month to provide for transparency and accountability, and subsequently sent to COPs leadership groups for consideration and to the SC for consideration and approval on a non-objection basis.

4.2. *Discussion.*

The Chair of the SC congratulated everyone involved in the preparation of the COPs action plans and budgets, and thanked them for their hard work. The Chair also welcomed the establishment of new B COP and IA COP leadership groups¹.

4.2.1. *COPs budgets in the period from January 2012 to June 2012.*

The WB TTL commended significant savings across all three COPs activities, estimated at USD 0.18 million over the six month period. They are a result of considerable in-kind contribution of the hosts (T COP event in Georgia), and lower than expected expenses for transport and accommodation in all events.

4.2.2. *COPs budgets for the period from July 2012 until June 2014.*

Individual COPs action plans and budgets were presented. The PFM Advisor, Deanna Smith, noted that a Cross-COP event on PFM reform status in ECA has been included in all three COPs action plans for consistency.

The SC has been looking at the action plans and budgets for the next two fiscal years, from July 2012 until June 2014, but could only take decisions with regard to the first fiscal year, due to unfinished formal procedures relating to donor funding. In addition, the SC could only proceed with indicative approval for the first fiscal year given that the donors have not yet officially transferred their contributions to the World Bank administered multi-donor trust fund. The WB TTL will send a notification once the funding for future activities has been confirmed thus making the SC's approval effective.

The SC maintained that a Cross-COP event might turn into a very expensive activity; therefore, proper guidelines will have to provide for benchmarks. These benchmarks and the benchmarks for the FY 14 will be

¹ New leadership groups of the IA COP and B COP have been recently established. IA COP elected a new acting Chair, Ljerka Crnković from Croatia, and two acting Vice Chairs, Cristina Scutelnic from Moldova for Operations, and Albana Gjinopulli from Albania for Content. At the upcoming IA COP plenary in Hungary, elections will be held to confirm new Chair and two Vice Chairs for the period of one year.

Since their March event in Bohinj, B COP has a new leadership group as well. It is chaired by Elena Slizhevskaya from Belarus, and includes Gelardina Prodani from Albania, Konstantin Krityan from Armenia, Stevan Brkić from Bosnia, Senka Šogorović from Croatia, Hakan Ay from Turkey, and Anna Belenchuk and Anna Busarova from Russia.

discussed at the September SC meeting. There, a decision will also have to be taken whether the Cross-COP activities stay budgeted within the COPs budgets.

4.2.3. *Proposal for a type B study visit.*

The WB TTL noted that the study visit could in principle feed under the T COP Action Plan, but since Uzbekistan is less active in T COP, and the UNDP is playing an important role, the study visit financed from the stand alone budget line (USD 70 K) was warranted. The aim for the future should be to have Uzbekistan more integrated into the T COP activities. UNDP co-financing is a positive element, to support synergies and promote both PEM PAL and UNDP programs. It was also noted that there were not many requests for the type B study visit program.

4.3. *Conclusions.*

4.3.1. *COPs budgets in the period from January 2012 to June 2012.*

- (i) The SC welcomed under-runs in the COPs budgets, and considered hosts' contribution (e.g., recent event in Tbilisi, Georgia) as a very positive element.

4.3.2. *COPs budgets for the period from July 2012 until June 2014.*

- (i) The SC approved, subject to final signature of the donor funding, the COPs action plans and the following budget numbers as benchmarks for the period July 2012 until June 2013: (i) USD 429 K for the IA COP, (ii) USD 393 K for the B COP, and (iii) USD 464 K for the T COP, for a total of USD 1,285 K. A flexibility of +/- 15% applies w/o prior approval of the SC. If the COPs consider these amounts insufficient, they can come back to the SC to explain why the benchmarks should be increased.
- (ii) The agenda of the September SC meeting will include a discussion on benchmarks for Cross-COP activities and COPs budgets for FY 2014.

4.3.3. *Proposal for a type B study visit.*

- (i) The SC approved the study visit of officials from the Uzbekistan Ministry of Finance to Croatian Ministry of Finance, and its financing from a special Type B study visit budget line in the maximum amount of USD 30 K, and welcomed UNDP in-kind contribution.
- (ii) For the future, guidelines should be developed to set a rule for the number of study visits per country.

5. **Update on the PEM PAL Results Framework (approach and process).**

5.1. *Discussion.*

A working group has been set up (Salome Steib, Marius Koen) to work on the results framework, and submit it to the SC by mid-August. This work is part of the PEM PAL Strategy 2012 – 2017 finalization process. Results framework is an important tool, and has to be revised and reworked. Comments received from Marius Koen and Joop Vrolijk were considered valuable.

5.2. *Conclusion.*

- (i) Deanna Smith will redraft the Strategy by end-June, and work together with Salome Steib and Marius Koen on redrafting of the results framework to have it available for distributed to the Cross COP leadership group by mid-August for the meeting in Paris (September 3-5).

6. **Final PEM PAL Strategy 2012 – 2017 (distribution)**

6.1. *Discussion.*

The Chair of the SC thanked Deanna Smith, PFM Advisor, for her contribution in nearly one year process that resulted in various drafts of the Strategy. Although comments by OECD/SIGMA come a bit late, they are welcome. The PFM Advisor offered to redraft the Strategy taking into account these comments by end-May. (Note: Additional comments on the Strategy were submitted by the Russian Ministry of Finance on May 16, one day after the SC meeting, and will also be incorporated into the new draft of the Strategy.)

6.2. Conclusion.

- (i) The Strategy was instrumental in sharing a vision, and helped provide more money for PEM PAL in the fundraising process.
- (ii) The PFM Advisor will incorporate comments from OECD/SIGMA (and the Russian Ministry of Finance) by end-May.

7. Update on funding

7.1. Discussion.

The WB TTL presented two tables prepared for the SC discussion.

The first was providing an *overview of the available budget for FY11-12* (from July 2010 until June 2012) and *expenditure status* as of May 7, 2012. It showed that additional contribution of the Russian Ministry of Finance provided in December 2011 in the amount of USD 0.95 million allowed for continuity in PEM PAL activities, and helped it conclude the funding period with a comfortable balance of app. USD 0.42 million, to be spent in the funding period starting in July 2012. In total, the donors and the WB contributed USD 3.925 million in the July 2010 – June 2012 funding period, of which USD 3.5 million is expected to be spent for the COPs activities, resource teams and the Secretariat. Overall, more than planned is expected to be spent for the COPs activities and the Secretariat (in total USD 2.72 million actual vs USD 2.0 million planned) and less on resource teams (USD 0.8 million actual vs USD 0.96 million planned).

The second table was showing *projected funding for the FY 13-14 (July 2012 to June 2014) and projected the budget distribution for the FY 13*. Contributions currently confirmed by the donors (= USD 2.945 million (net of the WB MDTF administrative fee), of which SECO USD 1.045 million, and the Russian Ministry of Finance USD 1.9 million) plus unspent balance from FY12 (= USD 0.42 million) bring the total projected funding for the FY 13-14 to USD 3.365 million, of which USD 2.415 million for the FY 13.

Additional resources for FY 13-16 are expected from SECO and the Russian Ministry of Finance. SECO is considering pledging CHF 5 million over the next 5 years because at SECO, the PEM PAL has become a showcase of a valid and functional project. The first installment of CHF 1 million is expected before July 2012, the second of CHF 4 million as of January 1, 2013.

The FY 13 budget envelope for USD 2.415 envisages expenditures totaling USD 2.15 million for the COPs activities, Cross-COP leadership group meeting, the type B study visits, resource teams, SC activities, and the Secretariat. It also includes a contingency of USD 0.265 million to provide for the 15% flexibility in the COPs budgets allowed w/o the SC's approval.

Several new donors would be willing to provide their in-kind (e.g., resource person) and/or financial contribution to PEM PAL. Given that some would like in one way or another earmark their contribution to certain countries/topics, discussion on how such contributions should be treated would be warranted (e.g., threshold for cash contributions that would provide for a membership in the SC), and how to secure a unified approach.

7.2. Conclusions.

- (i) *Current donor pledges.* The SC welcomed a tremendous increase in the PEM PAL's donor contributions. The SC's approval of the COPs budgets for FY 13 (July 2012 to June 2013) will become effective once the contracts with SECO and the Ministry of Finance of the Russian Federation have been signed. Once approved, the FY 13 budgets can be posted on the PEM PAL website.
- (ii) *New donors' pledges.* Unified approach will be discussed at the next SC meeting. Deanna Smith, the PFM Advisor, will prepare, based on conversations with the SC members, a short paper by end-July, on the elements of potential new guidelines (participation in the SC, logo, and in-kind/financial contribution).

8. Marketing PEM PAL: 2011 Annual Report and Success Stories

- 8.1. *PEM PAL Annual Report, Success stories and January – April 2012 Newsletter:* The Chair of the SC commended the Secretariat for well done job in preparing these three documents. A very positive feed-back was provided to all three documents from the SECO staff.
- 8.2. *New leadership groups:* Information about new composition of the COPs leadership groups should be shared with the PEM PAL community.
- 8.3. *Letter to ministers:* The Secretariat prepared a draft letter to Ministers aimed to present and distribute to them the Annual Report and the Success stories brochures, and the January – April 2012 Newsletter. The view was that the letters to Ministers should be shorter (include just a few main messages, and not too frequent), and sent by the Chair of the SC. A small working group will discuss how to proceed with the letters to Ministers. The distribution of the Annual Report and the Success stories brochures to the Ministers should be temporarily put on hold.
- 8.4. *PEM PAL experience for PEMNA:* Deanna Smith, PFM Advisor and Anila Çili, Chair of the T COP, have been invited to present PEM PAL experience at the launch of the PEMNA network that will take place in Thailand in early June. Korean Ministry of Finance will act as a Secretariat for this new PFM network, also supported by the WB.

9. Update on the tender for the Secretariat services

The WB TTL informed the SC members that they would receive the TOR within the next 10 days, with a comment period of 2 weeks. The start of the tendering process has been moved to end-June/early July.

10. Other business

- 10.1. Next meeting: face-to-face SC meeting will be held in Paris, France, at the occasion of the Cross-COP leadership groups meeting (September 3-5, 2012).

Prepared by Senka Maver